

Message Text

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21

ORIGIN ARA-20

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04 PRS-01

USIA-15 OPIC-12 /185 R

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L/ARA:DGANTZ (SUBS)

EB/IFD/OIA:TBRODERICK (SUBS)

EB/IFD/ORF:MCREEKMORE (INFO)

TREASURY:WCMCFADDEN (SUBS)

OPIC:MKING (SUBS)

TREASURY:RGOODMAN (INFO)

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P R 130321Z SEP 74

FM SECSTATE WASHDC

TO AMEMBASSY QUITO PRIORITY

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L STATE 201447

E.O. 11652: GDS

TAGS: ENRG, EINV, EC

SUBJ: VISIT OF ADA OFFICIALS TO WASHINGTON

REF: QUITO 5932

1. ADA OIL COMPANY EXECUTIVES JOSEPH LASSITER AND LYON BRINSMADE VISITED WASHINGTON ON 11 SEPTEMBER TO DISCUSS THE CURRENT STATUS OF THEIR CLAIMS FOR COMPENSATION FROM THE GOE FOR THEIR NULLIFIED CONCESSION IN THE GULF OF GUAYAQUIL. MEETINGS WERE HELD WITH OFFICIALS OF OPIC, STATE, AND TREASURY. SEPARATE MEMCONS WILL FOLLOW.

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2. THE MAIN THRUST OF THE ADA PRESENTATIONS, INCLUDING

REVIEWS OF THE PRESENT SITUATION FOLLOWING THEIR VISIT TO QUITO SEPTEMBER 5 TO 7, WAS THAT THEY NOW REGARD A SOLUTION WHICH WOULD PERMIT THEM TO CONTINUE OPERATION IN THE GULF AS A LAST RESORT AND THEIR MAIN OBJECTIVE IS TO RECEIVE SATISFACTORY COMPENSATION. THEY REQUESTED ACTION ON THE PART OF THE USG IN ORDER TO DELAY ANY AWARD OF THE FORMER ADA CONCESSIONS BY THE GOE TO ANOTHER COMPANY UNTIL THEY HAVE BEEN COMPENSATED. THE ADA OFFICIALS SEE THEIR PROBLEMS AND POSSIBLE USG REACTIONS IN THE FOLLOWING SEQUENCE.

A. AT THE PRESENT TIME ADA DOES NOT BELIEVE THAT THE GOE HAS RECEIVED APPLICATIONS OF OTHER COMPANIES TO PREQUALIFY FOR BIDDING ON THE FORMER CONCESSIONS. HOWEVER, THEY ARE

NOT CERTAIN OF THIS, AND THEY BELIEVE THAT IT WOULD BE USEFUL IF AN APPROACH COULD BE MADE TO THE GOE TO TRY TO FURTHER DELAY THE SCHEDULED SEPTEMBER 16 OPENING OF PRE-QUALIFICATION BIDS.

B. IN THE EVENT THAT OTHER PRIVATE OR NATIONAL OIL COMPANIES REQUEST PREQUALIFICATION, ADA PLANS TO APPROACH THESE OIL COMPANIES SEPARATELY TO INDICATE THAT THERE IS A CLOUD ON THE TITLE OF THE CONCESSIONS. DURING THIS PHASE THE ADA OFFICIALS BELIEVE THE USG SHOULD ENCOURAGE THE GOE TO SETTLE THEIR LEGITIMATE CLAIMS AND FAILING THAT SHOULD WORK FOR DELAY.

C. IF ANY SHORT TERM SOLUTION APPEARS UNAVAILABLE, THEN THE ONLY CHANNELS WHICH REMAIN ARE THE LEGAL AND AUDIT SUBCOMMITTEES FOR WHICH MINISTER JARRIN WAS TO HAVE NAMED THE ECUADOREAN REPRESENTATIVES ON SEPTEMBER 9 PRIOR TO LEAVING FOR THE OPEC MEETING. THE ADA OFFICIALS BELIEVE THAT THE SUBCOMMITTEES WORK COULD BE COMPLETED VERY RAPIDLY IF THE GOE REALLY IS INTENT ON SETTTLING THEIR CLAIMS. HOWEVER, A MAJOR PITFALL APPEARS TO LIE IN THE FUNCTIONING OF THE AUDIT SUBCOMMITTEE, WHOSE DELIBERATIONS COULD BE DELAYED FOR MONTHS OR EVEN YEARS THROUGH NIT-PICKING AND OTHER OBSTRUCTIONISM. BECAUSE DELAY IN COMPLETION WORK OF THE SUBCOMMITTEES APPARENTLY

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SERVES THE INTEREST OF THE GOE IN THIS MATTER, THE ADA OFFICIALS BELIEVE THAT INFLUENCE SHOULD BE BROUGHT ON THE GOE TO EXPEDITE THE WORK OF THE SUBCOMMITTEES.

3. ADA OFFICIALS ARE ACUTELY AWARE OF THE MAJOR SHIFTS NOW IMPENDING IN THE ECUADOREAN CABINET AND THE IMPORTANCE OF THESE CHANGES TO THEIR CHANCES OF A SATISFACTORY SETTLEMENT. WHILE THEY ARE ANXIOUS TO MOVE AS FAST AS

POSSIBLE THEY ARE ALSO AWARE THAT A PREMATURE CONFRONTATION COULD SERIOUSLY DAMAGE THEIR CASE. THEREFORE THEIR BASIC TACTICS AT THIS STAGE, WITH WHICH WE AGREE, ARE TO PRESS FORWARD WITH THE TECHNICAL WORK OF THE SUBCOMMITTEES, AND DELAY DEADLINES IN THE PROPOSED BIDDING PROCESSES.

4. EMBASSY SHOULD:

A. TRY TO CONFIRM WHETHER SUBCOMMITTEES ACTUALLY APPOINTED AND THEIR COMPOSITION.

B. ASSURE THAT GOE IS AWARE AT HIGH LEVELS OF THE SERIOUSNESS WITH WHICH USG WOULD REGARD FAILURE TO MAKE PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION.

C. MAKE AN ADDITIONAL EFFORT TO ENCOURAGE GOE TO DELAY QUALIFICATION AND BIDDING PROCEDURES UNTIL AFTER COMPENSATION ISSUE IS RESOLVED. KISSINGER

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